

THE SENATE DEBATES

SPEECH

OF

HON. MR. CASGRAIN

ON

Canadian Northern Railway Guarantee Agreement

OTTAWA, TUESDAY, JUNE 9, 1914.

Second reading Bill (214) An Act respecting the Canadian Northern Railway system.

Hon. Mr. CASGRAIN—I had no intention at first of taking part in this debate, but when I examined the documents furnished to us by the Government, and read the Bill carefully, I realized the enormous importance of this measure. To my mind it is of more moment to this country than any other measure that has ever been brought before us. And the hon. member from De Salaberry (Hon. Mr. Beique) said some time ago, this involves an expenditure, or a guarantee on the part of the Government of some \$400,000,000. I thought, therefore, that it would be well to put before the House the reasons why some of us do not approve of this Bill. Before entering upon the discussion I desire to say that I approach the subject with a great deal of diffidence. I have some regard for my own reputation in speaking on the problem of transportation in Canada, I am quite aware of the fact that every word pronounced in this Chamber is recorded; and I should not like to make any statement here which might be challenged. It has been my good fortune in the many years that I have been a member of this House to make speeches on similar subjects. Some of them were published in full in the press, most of them were printed in book form, and I am

proud to say to-day that although I challenged contradiction on many points, no expert, that I am aware of, has ever taken exception to anything I have said. Therefore hon. gentlemen will appreciate the very great difficulty under which I labour in this instance because as the hon. leader of the Government told us in his speech—and I think it was a very serious statement for him to make—the Government are in a better position than members of the Opposition (not here but elsewhere) to judge of this case, because they have had access to information from engineers and others which had not been given to members who were not supporters of the Government.

The document we have to go by is simply this small blue book, and much or all the information would be available without this book at all. In my humble opinion this book is of very little value indeed. The hon. gentleman who leads this House, in commenting last night on some of the reasons that have been put forward by this side of the House for not accepting the proposition put forward in this Bill, was good enough to say that it was a very precarious affair. Knowing him as I do, as a good sharp, shrewd, business man, a man with large interests in this country, when he said it was a precarious affair, I understood perfectly well that he would

not risk one dollar of his own money in it, although, joyfully, he was willing to put the \$45,000,000 guarantee, on behalf of the country. When we are talking of guarantee I hope to be able to show this Honourable House there is no guarantee about it at all; it is a pure and simple gift. Then the hon. gentleman told us that all the books of the company had been carefully examined by officials of this Government, I shall be able to show by the very words of the officials that they did no such thing, that they were not, in one case, within thousands of miles of where the books were, in the other case hundreds of miles from where the books were, kept and they never even saw the covers of the books. I shall be able to prove that over their own signatures before I am through. The hon. gentleman said that everything in sight had been pledged. I do not know about the possessions of the Canadian Northern Railway system throughout this vast country, but I know this much, that right where I live, in the city of Montreal, perhaps one of their most valuable assets stands—the property we call the model city. I know that property very well, and I happened to be president of a company which is a neighbour of it, and parallel to it for one mile in length. I refer to the Burnham Realty Co. I have been president of that company for some time, and I know the great value of the land. I am not advertising this company before this House, for the very good reason that all the lots have been sold long ago, and the company has paid, up to now, about 180 p. c. dividends. I only want to draw attention to that most valuable C.N.R. property, a part of which has been sold to James E. Wilder of Montreal for the enormous sum of three and half millions of course they will say in that instance that the property does not now belong to the C.N.R. If that does not belong to the C.N.R. I do not know of anything that really does belong to the C.N.R., because that property, close to my own property, was laid out by the C.N.R. engineers and surveyors. It was offered for sale. The land agents of the C.N.R. conducted the sale, and they took in the money from the sale. The office is in the office of the C.N.R. in Montreal, on St. James street. Anybody passing by St. James street will see the plan of the model city right in where they sell the tickets. Yet the C.N.R. come now and say 'that does not belong to us.' Whilst I am on that

subject let me say this that is one of the reasons why we should be very careful in voting for this Bill. We have no positive assurance, there is absolutely nothing to tell us that all the assets have been turned in. You will find the whole of the railroad has not been turned in. In this little book we have what little information the Government have given us. There are two parts of this little book; the first part purports to come from the Canadian Northern Railway system of Messrs. Mackenzie and Mann, and the first thing you see is a small letter of about nine lines asking for not much, merely \$45,000,000, and saying that they only really want \$42,000,000, but they will take \$45,000,000, because there will be some discount. That is the first thing. Then there is another letter at the foot of the page, of about fifteen lines at the very outside, saying that they are willing to transfer, give and consign all the freight on their lines for points on the Intercolonial railway to the Intercolonial railway. I would like to know how they could do otherwise than give it to the Intercolonial railway, because it is going there anyway. Still that is one concession. They will actually give the Government railway the benefit of the freight that is going to the Government line. We all know that this same arrangement, or an arrangement of that kind, was made with the Grand Trunk Pacific Company at the time we passed the Grand Trunk Pacific agreement. That was one of the conditions, that the freight that would originate would be routed as much as possible by the Intercolonial railway. It does not prevent large quantities of freight going to Portland; it is going there yet. The second page of this book professes to give the information from the Canadian Northern railway. Just listen to what information they give. The first one is: 'The charters of the various companies constituting the Canadian Northern Railway system, with dates and appropriate references.' Now the Law Clerk of the Senate could have given us a list of the charters and all that, in very little time. Still, that is one of the great features. The next item is: the length of each line, and the provinces within which it is situated, and its termini. Any body can find that information in the annual reports. The third item is: 'Its present or proposed connection with the whole system.' The plans on the table will give you all that. Then there is the capitalization showing both authorized and issued capital. But

what do we have the annual report for? The last annual report gives that information. The next item: 'Its cost up to the present time.' Again, the last annual report will give that, yet this is the great information the Government was going to get, to put before the House; this is the information which any body can have by looking at the annual report. There is one item which may be an estimate Item No. 6 is: 'The amount, if any, required to complete.' Of course that is an estimate, and that can be taken with a grain of salt. We know how estimates go in making railways. People say it will cost \$25,000 or \$30,000 a mile, and when the bill comes in the cost is twice that amount. Then there is item No. 7: 'The aid received therefor in (a) Cash or (b) lands, from (a) the federal Government (b) provincial Government or (c) any municipality.' That is in the annual reports. Then the next item: 'Aid received therefor in guarantee of securities by (a) the federal Government or (b) any provincial Government.'

That is also in the annual reports. Then the 9th item is: 'The fixed charges thereon with particulars of the date when (a) the principal and (b) the interest is due.' That is also in the annual report. This is the wonderful information as to which in another place the young, brilliant, and eloquent Solicitor General said, 'We have lots of information.' The next item is the present earnings both (a) gross and (b) net. That too is in the annual report. What is the annual report for, if not to show that. The last item, the gem of the lot is 'The estimated earnings both (a) gross and (b) nett, during the years 1914-15-16-17 and 18, respectively.' That is for the next five years. That is the only thing you will not find in the annual report. They have apparently a prophet on the Canadian Northern system; they have some gentleman who undertakes to say—and I shall come to that later—how much this road will earn in future; and I may say at once that he pretends that it will earn about 100 per cent more than it is earning now. On the next page you find the recitation of the various lines, and you have the grand total of lines in operation, of 7,236 miles. Those are the lines in operation, and you have tracks laid, but not in operation, of some 1,542 miles. You have grade completed, but no track laid, of 850 miles. I want to draw attention to the position of the province of Quebec. The province of Quebec, in addition to the \$45,000,000,

besides assuming its share of the three hundred and some odd million of guarantees that are already out—and as we assume the last mortgage, naturally we must make good all the mortgages that have priority over us, if we do not want to lose our \$45,000,000. The province of Quebec under this arrangement will contribute about \$15,000,000, and what does it get? According to the statement of the Canadian Northern Railway system it does not get a single mile of track either in operation or in process of construction. The province of Quebec will pay \$15,000,000 for the benefit of whom? For the benefit of those who have been bold enough to guarantee bonds, when they wanted railways built, but now wish to evade their obligation. There is a rush, especially from British Columbia, where Sir Richard McBride readily guaranteed \$23,000,000 an immense sum for a province with such a small population. However, it enabled him to carry the elections; not a Liberal was left. I do not want to assert that a portion of that \$23,000,000 went to help his party in the election. Now that the shoe begins to pinch, now that the province may be called upon to pay the piper, he does want to call the tune but not to pay the piper. He comes to the Government of Canada and says 'We will be in a bad fix if we are called upon to pay what we endorsed for.' I ask you, Mr. Speaker, if you endorsed for an insolvent who would be to blame but yourself? The province of Quebec has a small railway system compared with the other provinces. The great province of Ontario has 250 per cent more railway mileage than we have. Ontario gets no less than 1,500 miles of new road, which will enhance the prosperity of that province, but Quebec gets nothing under this arrangement. The province of Quebec has always refused to guarantee railway bonds. Whether Conservatives or Liberals were in power they have declined to assume any such responsibility. The Government of Mr. Mercier was approached, so was the Parent Government and the Gouin Government to guarantee railway bonds. They always refused. Now if they are going to pay the piper for other provinces, they were very unwise to refuse to guarantee bonds of railway enterprises in the province of Quebec. They might just as well have had the benefit, and Quebec would not be as to-day the lowest province of Canada, in its railway mileage in pro-

portion to population. We have less miles of railway per head than any other province in the country. To show the discrepancy that exists between the report made by the Canadian Northern Railway system and the report made by the Government officials, I shall call attention to one electric road which pays its way and is not mentioned in one of the reports. I refer to the Niagara, St. Catharines and Toronto railway, a road 75 miles in length. I find a difference between the mileage stated by this Canadian Northern Railway system and the mileage stated by the Government officials. The former gives the mileage as 7,236 miles; the Government officials state the mileage in operation is 7,161 miles. I saw a difference, and I wondered what was missing. Now, those Government officials who are supposed to have done this work so carefully, who have gone into this so thoroughly, have left out a whole railroad, and I defy the leader of the Government to deny that. They left out the entire Niagara, St. Catharines and Toronto railway. I took the difference between the two mileages to find out where that railway had gone, I subtracted one from the other, and found a difference of 75 miles, so I hunted up a railway which had 75 miles, and it fitted in. This Government owes me a debt of gratitude for finding a whole railway which their well-paid official working for months had absolutely omitted. Now we come to the Canadian Northern Railway system on the prairies, where the Canadian Northern railway is all right, as far as I know. That is the only part of the system which pays, usually 33 per cent of the gross earnings. That is to say, if they do \$3 worth of business on the prairies, it takes \$2 for the operation, and there is \$1 left to pay the interest on the bonds or in dividends. There is no exception to be taken to the Canadian Northern railway on the prairies, and I might say just now that it was not necessary at all to try and relieve the Government of the prairie provinces from their obligations. Saskatchewan and Alberta, more particularly the former, were perfectly content to be left entirely out of this bargain. Whilst on this subject let me say that those roads were provincial roads under provincial control, but by passing this bill we take them from the provincial control without asking the electors, who guaranteed these bonds. Those roads are simply put into the Canadian Northern Railway system without asking the electors, and become ipso facto

under the legislative authority of the Parliament of Canada. Now, supposing all the branch lines of Messrs. Mackenzie and Mann in Saskatchewan had defaulted, what would have happened? The Government of Saskatchewan would simply have taken over those roads, and all that the roads would have cost them would have been their guarantee, namely \$15,000 per mile. Some parts of those roads have been in operation for some time, and would bring in an income quite sufficient to pay the coupons on this \$15,000 per mile, and it would have made absolutely no difference to the people living along those lines whether the money paid by a gentleman riding in one of the railway coaches went straight to the bond holders, that is the Government of Saskatchewan, or went to the bond holders via the hands of the Canadian Northern, or via the hands of Mackenzie and Mann. We should in this Senate take special care of the public, and see how they would be affected by this legislation. For the last three months public opinion has been stampeded; we have been told of the dire results that would come if any one of those branches were handed over to the bond holders. Well no such result would happen at all, and the public themselves in buying their tickets at any railway station, or a shipper sending goods out, would not know whether the money went straight to Mackenzie and Mann or to the bond holders. It would make no difference, for the rates would be the same, being controlled by the Railway Commission or by the public utilities commission in the provinces. I feel diffident on this question, on account of lack of information furnished by the Government, and also because in this particular instance I do not think I stand on all fours with 'ne leader of the Opposition in this House, or with the illustrious leader of the Opposition in the other House. Those gentlemen, probably being actuated by very good motives, seem to be carried away or stampeded with the rest of the people. But I hold in my hand a copy of the Montreal Gazette of yesterday morning, and no one will say that the Gazette—

Hon. Mr. TAYLOR—That is a good paper.

Hon. Mr. CASGRAIN—As my hon. friend from Leeds says that is a good paper. Well, I will read the paper; I know it will do him good, and he will see that the paper follows pretty well the text I have just given, and the text I am about to give. The Montreal Gazette, of all the Conserv-

ative papers, is certainly among the most respectable papers in Canada; it is a paper that has weight with the community, and it is a paper that is not easily stampeded; even on the navy question it never became hysterical like the Montreal Star, and some other yellow papers. The Montreal Gazette is one of the oldest papers in Canada. It has been in the same family for some 40 years; the Whites are respectable men, and I am glad to bear testimony that they have never pandered to any passing caprice of public opinion. To my mind the Montreal Gazette, for a conservative paper, is the fairest paper I know. Here is what the Montreal Gazette said yesterday morning:

THE Liberal Attitude.

Mr. Hestock, the Liberal leader in the Senate, when the Bill to aid the Canadian Northern enterprises came up for consideration, took generally the same lines as did Mr. Wilfrid Laurier in the House of Commons. He criticized the propositions of the Government. He declared, however, that something should be done to help Mackenzie and Mann and prevent a financial panic.

Now, here are the words:

It is hard to write in moderate terms of such a contention.

Mark the words:

It is hard to write in moderate terms of such a contention, but Canada's financial and commercial progress does not depend on the schemes or enterprises of any two men.

Hon. GENTLEMEN: Hear, hear.

Hon. Mr. CASGRAIN—I am not saying that; it is the Montreal Gazette that is saying that. I hope my friend from Leeds will still recognize the Gazette as a good paper. The article continues:

The country will grow because of the work on farms, in mines and factories, in the forest and the fisheries, of men engaged in productive industry, each adding his share of achievement to the great total. The completion in one or two years more or less of a railway undertaken without consideration of all it meant in the way of capital outlay is too small a thing either to save or imperil Canada's commercial stability.

That is again the Montreal Gazette:

If a semi-crisis were to be produced by a railway passing into the hands of its bondholders the fact would not warrant the giving of the credit of the country to aid the men responsible for what is weak in the situation. Many feel this and many have said it. The effect of the course taken by Liberal leaders in Parliament and by not a few Liberal newspapers in the country will be, however, to neutralize the possible political effect of the feeling noted, and to make the opposition the full sharer with the Government in the blame or praise which the action will evoke. Whatever influence the promoters of the Canadian Northern enterprises

have over legislators it extends over men of all parties. If Mackenzie and Mann, thinking that some day they would make another demand, had arranged the Liberal line of action on the aid measure, it could not have better suited their convenience.

Hon. Mr. DAVID—I did not understand the first words. Will the hon. gentleman allow me to ask him does the Gazette say that both leaders, the leader of the Government and the leader of the Opposition express the same opinion, that some aid should be given?

Hon. Mr. CASGRAIN—The leader of the Opposition in this House and the leader of the Opposition in the other House both expressed that opinion that some aid should be given. Now, I do not think that a stronger condemnation of the action of the Government could be printed by a friendly paper. I read this for the benefit of the members of this hon. House, and especially for the hon. member for Leeds, who has just said a moment ago that the Gazette is a good paper; it is for them to take that article into serious consideration, in order to direct their action in this House and abide by the good advice. Reverting to this little bluebook, I said that the Canadian Northern railway in the Prairie Province was all right and paying its way. In this bluebook I find an item there which will be spent in the Province of Quebec out of this hundred millions that will be required, and I rejoice that that small item, for it is something, anyway, that will be spent in a province that represents between a quarter and a third of the whole Dominion. I find that there is an item for the Canadian Northern Tunnel and Terminal Company of \$5,999,374. That is a provision for the construction of the tunnel for the company that comes to Parliament saying, 'If you don't help us we will have to suspend business and hand this line over to the bondholders.' There they are actually undertaking and carrying out now, from day to day, the construction of a tunnel of three and a half miles in length under the mountain in Montreal. That was an expenditure from which the Canadian Pacific Railway with its resources shrank from carrying out. The Canadian Pacific Railway knew very well that it would be an easy way to enter Montreal by way of a tunnel, as a tunnel would allow a train to go full speed through the city of Montreal, and it would be increasing the facilities for suburban traffic. But Sir Wm. Van Horne on many occasions when it was put to him said, 'I would not consider the

enormous expenditure of making this tunnel and of establishing a railway station at the outlet of this tunnel right in the heart of the most expensive part of the city of Montreal. But the Canadian Northern does not hesitate. They bought a site for their station at fabulous prices, and they are working night and day on this scheme, spending and throwing away millions. That station is within two hundred yards of the great Windsor station of the Canadian Pacific Railway and within five hundred yards of the Grand Trunk Railway station. We are well supplied with railway stations in Montreal and there was no need whatever of that enormous expenditure, but it is easy to go into reckless expenditure when somebody else is paying the piper, and when you never pay a cent for the stock that is coming to you.

Hon. Mr. SMITH—Will the sale of the land which they have north of the mountain pay for the tunnel?

Hon. Mr. CASGRAIN—I am glad the hon. gentleman has asked that question because, I may tell him, that land cannot be brought in. It does not come under this agreement. I ask the leader of the Government if the model townsite is in the guarantees?

Hon. Mr. LOUGHEED—They do not own the model city.

Hon. Mr. CASGRAIN—The hon. gentleman has answer from his own chief. Of this one hundred million dollars approximately, six millions will be spent in Montreal for the construction of the tunnel, on the lands where the station is to be built, the station itself, tracks, &c., and for the viaduct from the mouth of the tunnel to the junction with the harbour track in Montreal. Either this Government or the Laurier Government—it was bad legislation which ever government passed it—gave those gentlemen what they called in their Act an easement, authorizing them to pass under private property without buying the property. Now the best lawyers in the province of Quebec claim that that Act is unconstitutional, because it interferes with civil rights. I am not a lawyer, but that is the opinion of several good lawyers to whom I have spoken on the subject. To give an instance of what has to be paid for acquiring an easement, I may mention the case of the Hon. Mr. Rainville. I believe they tendered him \$1 or something like that. I know something about the matter because I was one of the arbitrators appointed, but the arbitration never took place. Mr. Rainville's property

is a lot 50 by 150 feet at the outside, and they had to pay him for the property, out of court \$165,000. They gave him \$100,000 in cash, and a mortgage on the property for \$65,000. How much will it take to settle with all the other proprietors when it cost \$165,000 to go under Mr. Rainville's lot? That is an expenditure that should be at least questioned. I have always heard that when people in financial straits consult their banker, instead of being advised to extend their business, they are told to shorten sail, and go easy until money comes in. That is what should be done in this instance. This famous Montreal station is being built, but there is no railway connection with it at present. There is already a Canadian Northern railway station which has served the purpose of the company and it is the only place to which trains run. There is no object, so far as I can see, for building this tunnel, unless it be to enhance the value of the Model City townsite, which unfortunately for this government, is not included in the mortgage. We have the liabilities and not the assets. Now on page 11 appears a statement of what the Canadian Northern system has received in the way of cash subsidies. They have received in cash subsidies from the Federal government \$21,378,534, from the Nova Scotia government \$1,072,800 in one case, and on the Halifax and South Western Railway \$2,804,450. We hear a good deal about the philanthropic action of these men in handing back 4,002,844 acres of land when they took over the Winnipeg & Hudson Bay Railway and the Manitoba and South Western Railway. There was a land grant of that amount attached to the charter, and these good contractors who were then Mackenzie & Mann and later on—I do not see the difference myself, Mackenzie & Mann, I might have handed back this land and a great flourish is made of that fact by the Government. But to whom did they hand it back? To the Canadian Northern Railway which they own themselves. It is like a man who is getting a house built and hands himself back some of the money it cost. The Canadian Northern Railway system got a subsidy from the Ontario government of 4,000 acres per mile for 500 miles, making 2,000,000 acres. That land has not been located yet and no money has been raised on it. It is entered as one of the assets. I suppose the mortgage of the government will cover that. They obtained from Quebec 360,760 acres in connection with the Quebec

and Lake St. John Railway; they built in the Province of Quebec the Valcartier branch 3.8 miles in length, and the Gosford, 4.5 miles, making a grand total of a little over 8 miles constructed in the Province of Quebec which is paying under this arrangement some \$15,000,000. There is one thing surprises me about these gentlemen; while they are able to work the Federal and Provincial governments, they are not successful in getting money from municipalities. They got from the town of Port Arthur for putting their terminal there, instead of in Fort William, \$50,000, and from the town of Parry Sound \$20,000. Whether they think the municipalities are small fish, and it is better to go to the government direct for large sums, or because they could not do any better, they have received only \$70,000, in all in the way of municipal aid. They probably do not think it is worth while working the municipalities. They find this Government much easier. I wish to correct myself, they obtained aid from the former government, and I admit I was one of those who supported their claim on that occasion. They were given a guarantee of \$35,000 a mile for 1050 miles between Port Arthur and Montreal, making a sum of over \$35,000,000 guaranteed, but mark the difference between that guarantee and the one now proposed in the Bill before us. It was a first mortgage on every mile of that road, barring a small piece near Hawkesbury of 50 or 60 miles on which bonds had already been issued, and on which the government had to be satisfied with a second mortgage. But outside of that, it was a first mortgage on the whole of that mileage. It was stated at the time the guarantee was given that the road would cost \$50,000 to \$60,000 a mile and that prediction has proved true. Every mile that has been built has cost that much. The Canadian Northern in that case had to put \$25,000 on as a second mortgage—to put the \$25,000 per mile behind the first mortgage we had. Consequently that was not a bad bargain. I know that the grades on that line from Port Arthur to Montreal are better than the Canadian Pacific railway grades. We have had the profiles of the line and the line had been partly laid. The line is so much better than the line of the Canadian Pacific railway between Port Arthur and Montreal that if this road were put on the market tomorrow I have no doubt in the world—although I have no authority for saying it—that the Canadian Pacific railway would be very glad to take it for the mortgage which Canada has on it, namely \$35,000 a mile, because they would

have a much better line to haul their freight than the one they have now. Perhaps it was very unwise to give that guarantee, but hon. gentlemen will remember that in 1911 we were in a great era of prosperity, and times have changed since. At that time everything was going up, stocks were up, every enterprise was booming, and we thought then we were justified in guaranteeing that this road would be built. Parliament then and the country at large were intoxicated with the enormous prosperity we had under the Liberal regime, and that is the only excuse I can give for guaranteeing this road. If we had known hard times were coming, it would have been better to say, 'No we will not give you that guarantee, but we will tell you that from Quebec to Winnipeg, or Winnipeg to Toronto via Cochrane you may use the National Transcontinental railway. That would have been a wise course, and that would have taken care of all the traffic that would have come that way. On page 13 we find the guarantees given by the various provinces. They amount to no less than \$76,850,203. And remember that in all those guarantees not one cent has been guaranteed by the Province of Quebec. Consequently Quebec is not responsible for one cent of it. Still we have to pay our share. When those people who have endorsed will not pay, we are called upon to pay. The Government of Alberta guaranteed \$6,500,000. The Government of Saskatchewan guaranteed \$8,000,000 and the Government of Manitoba guaranteed \$23,849,630. The little province of British Columbia—little in point of population because in territory it is bigger than any province, barring Quebec, counting Ungava as part of Quebec—has guaranteed on the main line and branch lines, \$24,126,573. They have guaranteed as much as the whole debt of the Province of Quebec. The branch lines guarantee in Alberta is \$6,424,000, consequently Alberta has guaranteed, adding the two amounts together, \$13,000,000, making a grand total of \$76,000,000—and for that \$76,000,000 Quebec is not responsible for one cent, Quebec will pay one-third—that is one-third of the \$45,000,000. That is in addition to assuming, with the rest of the Dominion, the liability for the whole amount. The hon. leader of the House told us last night that the \$58,000,000 which was supposed to be got from securities not now issued and earned, were included in the \$311,276,832.32, and it would help my argument if the hon. leader would

tell me whether or not the \$58,000,000 are included in that.

Hon. Mr. LOUGHEED—Oh, yes

Hon. Mr. CASGRAIN—There are amounts outstanding, and the annual interest. It is on page 13.

Hon. Mr. LOUGHEED—Yes. The \$58,000,000 as I stated last night is included in the bonded indebtedness of the road, namely \$312,000,000.

Hon. Mr. CASGRAIN—What might lead one to take a different view is that right next to it is the annual interest, interest is charged, and it seems to me very strange that you would charge interest for things that are not issued yet, because the annual interest is \$13,116,024. There is to be deducted therefrom interest on income charge convertible bonds, \$1,250,000, leaving an annual interest of \$11,866,024.96. That is a fixed charge, the amount outstanding of the annual interest. If we look at the outstanding and fixed charges in the report of the Government officials we find a difference, not a very large difference, but there is a difference, and that difference shows that it should have been adjusted. Now the fixed charges according to the report of the Government officials are put down at \$12,927,893.03. The fixed charges according to the Canadian Northern Railway official is \$6,950,380, making a difference there of \$6,000,000, but as against that the Canadian Northern Railway say that the annual interest is \$13,166,024.96. I think it is rather puzzling. Fixed charges and annual interest in my opinion would be about the same thing. I see a banker in front of me, namely Col. the Hon. Mr. Mason from Toronto and I do not see how an annual interest and a fixed charge would differ very much. However, that is the point. Here are the railways which are being pledged to the Government: that is to say the equity, for they are now bonded for perhaps more than they would bring. Here is the statement of the gross earning operating expenses. The gross earnings last year were \$24,527,478, and you will see there, as a railway which was paying its way, operating expenses were \$17,503,610, leaving a net earning of \$7,023,868. That is about the right proportion. That is to say a railway in good order, running through a well settled country would probably realize to the good about one-third of the gross receipts. I may say en passant that the electric roads would bring in a larger revenue, because as a rule the distances are shorter, and the operation

is more controlled, being pretty much in one place and not too much extended. Then we have the Canadian Northern Railway. You will see the gross receipts there, and the operating expenses—I shall dispense with the figures. The net earnings were only \$50,000. In Ontario with 1,527 miles of railway all they make was \$50,000, and that road represents a number of million dollars. Of course that 1,527 miles is not all in operation, that figure is merely the mileage constructed. Then the Canadian Northern Railway in Quebec did better. They have made \$285,961. They realized about one-seventh of the gross receipts, but they did not make enough to pay the interest on their bonds. Now we come to the Quebec and Lake St. John railway and that is a beautiful story to tell. They took \$950,380 in gross receipts, and the operating expenses were \$823,847, and the net earnings were \$185,533. The Quebec and Lake St. John is put down here at a large price. That road passed into the hands of the Canadian Northern Railway system some time ago. I can speak of that really better than I can of other railways in Nova Scotia or British Columbia because it is nearer home. That road was subsidized by the various governments, and was actually built with subsidies, the total subsidies averaging from first to last about \$19,000 a mile. It was built through a very bad country. It goes over the summit of the Laurentian mountains three times before it reaches Lake St. John, and it runs over grades of 2 per cent. It would be an ideal place for Mr. Gutelius to run a railway according to his proposition, because they could coast down one mountain and ride up the other mountain with the velocity acquired. The bonds were issued, and were in the hands of Hanson Bros., Montreal, but they were not paying the coupons, and then further bonds were issued, and the situation went from bad to worse. Mackenzie & Mann negotiated for the road and bought it. The road is, according to the statement, \$185,000 to the good. How did Mackenzie & Mann get the road? They paid 25 cents on the dollar, not to the shareholders, but they gave it to the bondholders. I think, His Honour the Speaker knows all about this transaction. They gave 25 cents on the dollar to the bondholders, but not in money—in new bonds, and now they operate this road, and this is one of the roads on which we are going to have a mortgage, and this road, if put in any sort of condition and operated

properly, would certainly not pay the interest on the present bonds. At any rate I see a large amount entered in the column of assets as to the value of this road—the hon. gentleman from Grandville (Hon. Mr. Choquette) reminds me it is \$4,400,000. I would like the gentlemen on the other side who have sufficient information from the officials, to know what they did for the road, or whether they are handing this Government something which is not of much value, and diminishing thereby the security we will have for our \$45,000,000. The Central railway of Ontario brought in \$132,000 clear. The Bay of Quinté railway brought \$136,000 and the Irondale, Bancroft and Ottawa railways total receipts were \$30,384, operating expenses \$23,967, and the net earnings \$6,417. Then the Niagara, St. Catharines and Toronto railway—that is the one that the Government officials lost, but we have it now—brought in last year \$475,360 of gross receipts. The operating expenses were \$326,905, leaving a net earning of \$148,475. That is on the small electric railway that runs from Port Dalhousie to Port Colborne, and there is a line of boats running from the City of Toronto. That was a very paying piece of road, the net revenue being over \$2,000 a mile and its business being nearly \$6,000 a mile. It was a very profitable road. But that road is not put in; the government officials did not take that road in at all. However, some remonstrances were made, and the bargain was altered. Then we have the Halifax & Southwestern Railway taken in, and this is one which has not much value. Its gross earnings was \$531,338, and its operating expenses \$528,217, leaving only \$3,121 to the good. Now, who is going to pay the interest on those bonds? The Hon. George H. Murray, premier of Nova-Scotia, I understand, has sent a letter to the government or to the leader of the opposition. I don't really know to whom—, praying that this aid should be granted. No wonder he would do so when he would have to pay the interest on those bonds, or his province would, because, I suppose this is a line that has been guaranteed by the government of Nova-Scotia, and naturally he would like to relieve the province. There is another little piece of line in Cape Breton, I should say about 40 or 60 miles in length, running close to the coal mines, and I do not see any trace of it here at all, though it is shown on the map, on this table, on the map it is coloured, as belonging to Mackenzie & Mann, but I do not see any

trace of it. Perhaps the hon. leader of the Government would enlighten me and this House as to that?

Hon. Mr. LOUGHEED.—What is the name?

Hon. Mr. CASGRAIN.—That is it; I cannot get the name of it.

Hon. Mr. ROSS (Middleton).—The Inverness Railway Company. That is an unfinished road. If you take that and finish it you take over a heavy liability.

Hon. Mr. BOYER.—We are taking a good many unfinished roads.

Hon. Mr. ROSS (Middleton).—I know you are.

Hon. Mr. LOUGHEED.—The Company in question is not controlled by Mackenzie & Mann.

Hon. Mr. CASGRAIN.—It is shown on their maps as tinted with their colour; it is another mistake.

Hon. Mr. LOUGHEED.—No, it is not a mistake. It may be connected with the Canadian Northern Railway system, but it is not controlled by Mackenzie & Mann or the Canadian Northern Railway.

Hon. Mr. ROSS (Middleton).—It is mixed up with a coal Company.

Hon. Mr. LOUGHEED.—It is controlled by a coal Company.

Hon. Mr. CASGRAIN.—I only wanted to show this House that I looked for every little bit of road I could find. There are a couple more railways, but as the time is getting short I will omit them. The grand total of the gross income of the Canadian Northern system were \$31,812,776, and the operating expenses \$23,351,678, so that the total net earnings of that system were \$8,461,098, according to their own figuring. But right on the page preceding, they have it that the annual income, after taking the interest and charges on the convertible bonds, will be \$11,866,024. Therefore, there will be a deficit, but here they claim—though I cannot understand how they get at this—that the fixed charges on outstanding securities are only \$6,950,380, leaving a surplus of \$1,510,718. They have a surplus, and their annual interest on the outstanding securities, after making deduction for the convertible bonds, is nearly \$12,000,000, though the total net income is only \$8,000,000 in round numbers, on the following page they say that their fixed charges

are a little less than \$7,000,000. Now how can that be? I hope somebody on the government side will explain the discrepancy or the difference—I think it is all wrong—it is between pages 13 and 14, but there it is. At the foot of the same page, is the estimate that I spoke of in the beginning by Mr. B. Hanna, the company's Third vice-president, who has had a lot of experience in railway managing and knows all about railways. Mr. Hanna is the one they have selected to be a prophet of what this road will earn during the next five years, when linked up. Although the gross earnings this year were only \$24,000,000, Mr. Hanna immediately jumps up to \$31,000,000 for 1916; and those gross earnings will jump from \$31,000,000 to \$54,000,000. This prophet, Mr. Hanna, does not seem to be looking around at what is taking place. Why, there was no increase this year in the receipts of the Canadian Pacific railway. There has been a decrease, and a considerable loss since the beginning of the year. I am perfectly within safe limits when I say that far from there being an increase in the gross receipts of the Canadian Pacific railway this year, there will be an actual decrease of from \$20,000,000 to \$25,000,000. What I say now is being taken down, and as I said before I have some regard for my reputation in making statements about the transportation of this company, and I affirm that in my opinion the gross receipts of the Canadian Pacific railway this year will have decreased. Still we have Mr. Hanna saying that the receipts of the Canadian Northern railway system will increase to \$54,000,000 in 1916 and to \$61,000,000 in 1917, and to \$67,000,000 in 1918. He gives figures for only three years, and he must be naturally very optimistic in view of the facts that the Canadian Pacific railway will lose this year and are losing, as any hon. gentleman will see if he takes the trouble to look at the receipts, although the Canadian Pacific railway is surely as good a road as the Canadian Northern railway and runs through a better settled country, with a good administration, etc. Now, how can another gentleman prepare a document for this Parliament and tell us that the receipts will jump in two years from \$31,000,000 to \$54,000,000, when we know very well that the other railways are running behind? How can that be possible?

Col. the Hon. Mr. MASON—You are jumping a year.

Hon. Mr. CASGRAIN.—Yes, two years. This seems to be very strange, I have only been dealing with the part of this report which was prepared by the Canadian Northern Railway themselves. I have studied the report prepared by the Government officials, on page 20 I find that out of a total mileage of about 10,000 miles there is in Quebec only 647 miles. The line between Montreal and Quebec is in fair, not extra good condition, but the 263 miles of the Quebec and Lake St. John line is in very poor condition. So that for this 647 miles in Quebec, part of which they did not build but acquired, we will have to pay the piper for our share. Page 21 shows all the stock that was got for nothing. A great many companies are named, some of them apparently only for the purpose of mixing up matters. I know the Canadian Pacific Railway has many subsidiary companies, but the Canadian Northern Railway has many more. All these companies have a total issue of paid up stock amounting to \$158,601,000. Now this is the stock which is being reduced to \$100,000,000, some say \$125,000,300. The amount is a debateable question. I never heard, and nobody else ever heard of call being made on this stock. Now I come to the report prepared by the Government's officials. I said just now that the hon. leader of the Senate had told us that Government officials had verified all the books of the company. I replied that they had not. Here is what they say themselves:

With regard to the lines west of Port Arthur, the books of construction of the lines in British Columbia are kept in Vancouver, and the books of the construction of the lines between Port Arthur and Yellowhead Pass are kept in Winnipeg. From these offices, monthly statements are forwarded to the head office in Toronto, and from these statements, we have verified the expenditure on construction relative to that portion of the system.

I would specially call the attention of the hon. member from De Salaberry to that point, that the books were never examined but only monthly statements which may or may not have been sworn to, and yet the officials of this Government claim that they made a thorough examination of these books. They are honest enough to acknowledge that they did not see all the books, yet the leader of the House has told us that they did examine all the books. Then the three officials, Mr. G. A. Bell, of the Department of Railways and Canals, Mr. S. L. Shannon, comptroller of the Canadian

Government Railways, and Mr. J. C. Saunders of the Department of Finance tell us:

We would direct attention to the fact that the railway company has received any benefits accruing from such subsidiary companies as the express and telegraph companies, steamship companies and certain benefits from the town site companies.

Certain benefits only: what does that mean? They do not say what amount of benefit that has been derived, but only "certain benefits." That is not proper language to use in an official report dealing with a large affair entailing the expenditure of nearly \$400,000,000. Supposing an auditor were employed to audit books and reported that certain accounts had been paid, we would not consider that that auditor was doing his duty by the company or the shareholders, when he reported in such an indefinite way. These gentlemen were acting as auditors for the Government and they should have stated what benefits, if any were derived from the townsites. They gave a mileage, with the correction I have explained, of 7,336 miles. There are small differences in the amount of cash subsidies. Then the expenditure on construction as we find in the statement is \$244,670,169.24. Then there are payments in reduction of capital. It runs up to a grand total of \$305,853,832.06. How that was spent is not stated. We are told it was expended on "construction as per statement." I suppose that statement is one of the documents which the hon. gentleman had, and which he did not submit to parliament. There is a statement showing the amount derived in cash subsidies from provincial governments and municipalities, and guaranteed securities and other securities. We find that outside of the various governments the other securities amount to \$89,678,000. These were the only ones that, if a crash really came would suffer, because the provincial governments and the federal government guaranteed knowingly and are able to pay. The hardship falls on those who own the \$89,000,000 of other securities. As to the fixed charge, as I said before the government officials do not agree with the Canadian Northern officials and there is a great discrepancy which I hope will be explained. Here is another discrepancy, and it is one which I cannot excuse. The government officials say that the total capital stock issued is \$145,778,500. Now the Canadian Northern railway officials say that the total issued stock is \$158,611,000, a difference of

\$12,832,500 between the two statements. As to the cash subsidies I find a small difference in the additions. There is on page 43 a statement showing an amount due on construction to the contractors—and the interpretation clause says the contractors are Mackenzie and Mann, Ltd. and Sir Wm. Mackenzie and Sir Donald E. Mann, of \$21,262,527.26. I suppose the very first amount paid out of the \$45,000,000 will go to these contractors, because that is an outstanding debt. The present administration seems to have been very good to the Canadian Northern railway system. The very first year they were in power, in 1912, they voted in aid of lines in British Columbia extending from Yellow Head Pass down to Port Mann, a cash subsidy of \$12,000 per mile. That road had already been guaranteed by the McBride government to the extent of \$35,000 per mile, and later guaranteed an extra \$10,000 per mile. The guarantees amount to \$45,000 per mile and on top of that the road was given a cash subsidy of \$12,000 per mile making a total of \$57,000 per mile for every mile of that road in British Columbia from Yellow Head Pass to Port Mann. One would expect that in granting such aid the public would get some benefit and have some say as to the rates. Not at all. The road was actually taken away from the legislative authority of Canada and away from the Railway Board and handed over in consideration of these guarantees to the government of British Columbia to regulate the rates, and the Dominion, although it gave this unheard of subsidy of \$12,000 per mile, lost control of the rates. All that is not sufficient, and Sir Richard McBride went to the country and carried it on the strength of the fact that the province would have control of the regulation of rates. What has happened? Sir Richard McBride breaks faith with the electors of British Columbia and takes the road that the province has guaranteed to the extent of \$45,000 a mile and puts it back where it belongs and should always have belonged—under the control of the Railway Board. I may be told that Sir Richard McBride was in a strait and it would be very hard for the province to pay the 24 million dollars but it was put up to him in this way, you can choose either to stand by the guarantee or break faith with the electors of your province. He chose to break faith with the electors. With such bonuses one would expect the company to have built a road up to the standard of the Grand Trunk Pacific or the National Transcontinental railway, but I fail to find

in the agreement any standard as to grades or curves. The company can build any kind of road it likes and still get the \$57,000 per mile in guarantee and subsidies. I have not said one word against Mackenzie and Mann and have no intention to say anything against them; whether they made money out of this enterprise or not is not for parliament to say. It is not our business to inquire where the money went at present. I fear that this enterprise is doomed and that the guarantee of \$45,000,000 will not save it. Then will be the time to inquire where the money went. If perchance in ten or twelve or fifteen years this road should earn enough to pay the interest on its debentures it will be at the expense of the Canadian Pacific railway and a government road the *Grand Trunk Pacific*. The first year the present government was in power it aided Mackenzie and Mann. The next year there was no talk of giving them subsidies, but they talked of giving \$7,000,000 in addition to the guarantee of \$35,000,000 which had been granted by the former government. They got that aid, but that is not the whole of it. No more subsidies could be granted for any visible place. All the lines had been fully subsidized and guaranteed by the government. What did this government do last session? They actually took \$15,000,000 and gave them, not applicable to any particular place, not a guarantee out and out, \$15,000,000 and \$6,000,000. The proceeds of that \$12,000,000 subsidy per mile made \$21,000,000. Now they are proposing to give \$45,000,000 of a guarantee and that will make the beautiful grand total of \$63,000,000. This Government has been in power for 134 weeks, consequently we have given to the Canadian Railway system half a million per week. How long will the people of this country stand for that? I do not know. Hon. gentlemen will see that there must be an end to this sometime, whether it be wiser to end it now, or twelve months, or twenty-four months hence is for this House to decide. I think this is the most serious question that has been before this House. If a financial house of any kind goes to a bank, and says to them, as these gentlemen have said, that they are insolvent, is it likely the bank will say, 'We will give you a larger amount and you go on for another year,' while the annual interest charges, according to these men are twelve million, there is a deficit according to their own figures, of \$4,000,000. Is it likely the bank would give them the money. Public opin-

ion has been stampeded with the idea that if this road became insolvent dire results would follow. The hon. gentleman from Calaberry has been instrumental in putting on the statute books a law concerning insolvent railways, and that law has worked perfectly. The whole provision according to law is on the statute book. I might be allowed to make one personal reference to the old Baie des Chaleurs railway—and there are hon. gentlemen within my hearing who know that there was no road in a worse condition than that railway. It was a road against which everything had been said. It did not pay its way. On the 1st July 1900, your humble servant accompanied by an English bondholder went down and took possession of the road. You would think to hear the way people talked, and the way the people had been stampeded, that the taking possession of the road was going to cause a revolution in the country. It was done in the simplest way. Your humble servant with an English bondholder, and a former manager of the road, Mr. Chas. Newhouse Armstrong, went into every railway station along the road and said to the ticket agent, 'Henceforth instead of turning in your money to C. N. Armstrong, you turn in your money to the bondholders of the road', and the ticket agent said 'I will'. Since that date up to the present time, the road has been operated. For ten years I represented the bondholders in this country; and from that day that road has been operated, and if hon. gentlemen would take the trouble to go to the Post Office Department they would find that the road has given a good service. The brother of the hon. gentleman from Beauce will bear me out in the statement that no railway gave better service than the Baie des Chaleurs as operated by the bondholders. There was never an action at law against them, never a lawyer's letter for anything that was not paid from the 1st July, 1900, for ten years onward, when the road was taken over by the Quebec Oriental railway and connected with the Gaspé Western, connected down to Gaspé, and it was made a success. The only difference so far as the employees of the road was concerned, was that before the bondholders took hold of the road the employees had not been paid, and some had worked for weeks and months without receiving pay. But when we took hold of the railway we said, 'We will pay you wages, we cannot afford to pay extravagant wages, but you will get your money

every two weeks. And it is the only railway that I know of in this country which pays its employees every two weeks enabling them to buy for cash, and they thus obtain a large discount that they would not, if paid only once a month.

The Senate adjourned till 3 o'clock this afternoon.

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Hon. Mr. CASGRAIN—When the House adjourned at 1 o'clock I was about to state how the Province of Quebec was not getting anything out of this \$45,000,000 it was proposed to spend, or rather the larger sum of \$100,000,000, except perhaps for the terminals in Montreal. The plea is that every other province seems to have benefited by this Canadian Northern Railway system except the poor Province of Quebec.

Hon. Mr. THOMPSON—And New Brunswick.

Hon. Mr. CASGRAIN—And New Brunswick. I may say at once, as far as New Brunswick is concerned, we have heard a lot during this discussion of a transcontinental road, and that we must build this transcontinental road. I notice, even by the plan produced by the company, which is on the table of this House, there is a gap of some 600 miles between the railway terminal at Quebec and the other line belonging to the company in Nova Scotia, namely the Halifax and Southwestern Railway, and I do not see any provision at all for linking up those two parts. Therefore that eastern part of the Province of Quebec would not be connected with the most eastern part of the Canadian Northern Railway system. There is no use talking about a transcontinental road, so long as that gap of more than 600 miles exists between the end of rail in Quebec and the end of rail in the Province of Nova Scotia. In Quebec we have to-day a railway running from a place called St. Joachims which is about 27 or 28 miles below Quebec, the Quebec and Saguenay, which was built at very great expense and for a distance of some 62 miles down to Murray Bay. The grading of that road has been completed, and the 62 miles have cost nearly \$4,000,000. It was a most expensive road to build, as anyone acquainted with the topography of the country on the north of the St. Lawrence from St. Joachims down to Murray Bay will know. It was necessary to pass in front of Cap Tourment, a mountain with an altitude of 1,500 feet, and in

making a shelf in the rock for the railway to go past this very high mountain, no less than 80,000 yards of solid rock had to be removed, both in front of Cap Tourment and the various tunnels along the line. That road has been graded. Unfortunately the promoters of this railway, who had found the money and had paid Mr. M. G. O'Brien the contractor, \$4,000,000, have a road that now needs to be ballasted and have ties and rails put on, in order to be put into operation. The present Government is now building a railway to Port Nelson—which should not be called a port, because, as I have had the honour to mention several times in this House, it is not accessible to ships of any draught at all. The depth of water there, 16 mile away from shore, being according to official reports brought down in this House, only 17 feet. It will cost an enormous sum of money to make a port there, although a port could be created at that point by spending millions and millions of dollars. But that railway, when built, would simply take away part of the traffic which would go to help this very road, the Canadian Northern railway, which runs to La Pass; it will simply deflect from it the traffic that might have been carried further east, and so earned the long haul. My own humble opinion, which has been expressed in this House many times, is that that project should never have been undertaken. I do not blame the present administration for it, more than the former administration, yet the facts exist. If the Government had been willing to do anything at all for the province of Quebec, instead of building this 500 or 600 miles from La Pass to Port Nelson, they might have completed the 60 miles which have been built at such an enormous cost, that is the road from St. Joachims to Murray Bay. The road has what is called a water grade, that is, the elevation of the road is two feet above the highest known water. It is perfectly level road, just as level as the water of the St. Lawrence. By continuing that road for only 42 miles more to a point called Bay St. Catherine, on the right shore of the Saguenay river, they would have a harbour which has been in existence and known to navigators ever since the colony was founded. In fact, during the old times when the colony was first founded, for more than 100 years the transatlantic ships made the end of their transatlantic voyage at the Bay St. Catherine, for the reason that they could not navigate before the wind in those days. That harbour is open all the year around; and by simply con-

tinuing the Quebec and Gaspé railway for 42 miles down to Bay St. Catherine's, we would avoid the enormous expense of building this road to Port Nelson. It is a port that is open all the year round, a small steamer that is subsidized by the Government calls twice a week all through the winter, and in 12 hours after you leave Bay St. Catherine's you are out on the ocean, travelling on an ordinary tramp steamer. Some provision should have been made when this Canadian Northern Railway system was being organized to give a winter port to the Province of Quebec, and this Government might have merited the gratitude of that province, but nothing of the kind has been done. In fact, in another place the leader of the Government said that nothing will be done. It seems strange in view of the fact that they are willing to spend the public money to give railway facilities everywhere else, that they should refuse to build this small piece of road; only 42 miles altogether. I admit that it would be expensive to build, but with that section constructed you would have a winter port in the Province of Quebec. There was one matter which I overlooked this morning; that is the cash received for the land sold by the Canadian Northern Railway. I find the amount for which it was sold is \$16,780,253, but there is no trace of that amount that I can find in the statement furnished by the Canadian Northern Railway system. I do not know why it was omitted. I find also that there is charged for expenses connected with the survey sale, &c. of that land \$4,155,304.24. That seems to be about 25 per cent of what the land brought. Somebody must have got a very big commission on the sale of those lands; the commission is better than real estate agents in Toronto, Montreal or anywhere else expect. I would call attention to the difference in the statement made by Mackenzie & Mann here and in England. When they come to us they are hopelessly involved and must be helped, but it is another story when they are borrowing money from the London money market. There everything is rosy and of such a character as to induce the public in London and Europe to invest in their securities. I have not the prospectuses of the different issues, but I think they were furnished to the other House by the law partner of the hon. leader of this House. The conflict in the statements made in London and here should make us doubtful of the accuracy of any of them. There is one clause in the Bill referring to the out-

standing temporary loans, sub-clause (e) of clause 5, which is as follows:

(e) Covenants or undertakings to the satisfaction of the Governor in Council shall be given that all outstanding temporary loans to the Canadian Northern or any of its constituent or subsidiary companies secured by the deposit or pledge of securities, will be paid out of the proceeds of such deposited or pledged securities when the same shall be sold or disposed of, and that no proceedings against the Canadian Northern or any of said other companies will meanwhile be taken for the collection of such temporary loans.

That will not be paid out of the \$45,000,000 we are about to guarantee, but out of the \$58,000,000 they are supposed to receive from pledged securities deposited with bankers and others. They will sell those, and if they have anything left will pay the outstanding temporary loans. I am not a lawyer but it would appear to me that if they do not pay these temporary loans they lose their right to proceed against the Canadian Northern railway or any of the other said companies. Further on in clause (f) I find the following:

(f) Covenants or undertakings of the contractors and such other covenants or undertakings as may be required by the Governor in Council shall be given that the current indebtedness of the Canadian Northern and of the constituent and subsidiary companies will within one year from the passing of this Act be reduced to the normal or usual current amount to be determined by the minister.

That means that the Minister will say to the bank with which they are doing business, how much shall be due. Last year the name of that bank was mentioned and when the \$15,000,000 was given to the company it was stated 'If you do not give that to a certain bank they will be in very serious difficulties.' This year we are making provision that the minister shall say how much that bank is to receive.

The clause continues:

And that meanwhile all such current indebtedness other than such that may be the subject of bona fide dispute will be either paid or arranged in such a manner that no proceedings for the enforcement of payment thereof will be taken or pressed.

That is a strange clause to insert in a Bill giving the Minister power to say you shall pay that bank so much, and in the meantime all other current indebtedness, except such as may be subject to bona fide disputes, will be either paid or arranged. Legal gentlemen can find ground for bona fide dispute in almost anything.

No proceedings will be taken to collect that money, but the Minister will see that

the bank gets what he thinks is right. I will refer to clause 12. The leader of the Government last night said that in passing the Transcontinental Bill the former administration agreed to create \$25,000,000 of watered stock. I do not think that the creation of that \$25,000,000 of that watered stock, should be compared with the creation of \$100,000,000 watered stock we are now talking about, for the very good reason that the Grand Trunk company, with its \$487,000,000 of assets went guarantee for the construction and payment of liabilities of the Grand Trunk Pacific from Winnipeg to Prince Rupert, and I may say that at the time Mr. Hays had a great deal of difficulty in getting the shareholders of the old Grand Trunk Railway to agree to become liable, by the trust deed, for the payment for all charges whatsoever on the construction of the Grand Trunk Pacific from Winnipeg to Prince Rupert. But this \$25,000,000 of stock was created to be given on the completion of the enterprise only, to the Grand Trunk railway company, to pay or to indemnify them for financing the Grand Trunk Pacific for a distance of 1,800 miles. That was quite proper. We are creating to-day \$100,000,000 of stock on the Canadian Northern Railway system, on a system which comes to us and says that they are not able to carry on their enterprise, that they are at the end of their financial ability. There is no comparison and more than that there is in clause 12 a proviso for another 25 million of stock for the purpose of exchange of income charge convertible debenture stock secured by trust deeds to the British Empire Trust Company, Limited, the National Trust Company, &c., not exceeding \$25,000,000. That makes \$125,000,000. If the Government is to get two-fifths of that instead of 40 millions, which we are about to get, they should get fifty millions. If I understand this thing properly they should have two-fifths of that amount, which would be 50 millions. I find later on in the trust deed that there will be only thirty-three millions given to the Government, not forty millions of this common stock. I do not think this common stock will be worth very much for many years to come. There are the thirty-three millions and the seven millions of stock which was printed last year. They simply got the printing press in motion, and they printed out seven million dollars worth of certificates, which they handed to the Government when they received the fifteen million cash. The seven million and the thirty-three million would make forty million, but they are still twenty million short on that

twenty-five million income charge convertible stock. However, it seems to me it should be fifty millions instead of forty, but I would not be sure about that. When the Government says they will not enforce payment, and no legal proceedings will be taken, I would like to know what they intend to do with this clause. I suppose all the Senators have seen as I have, a sort of fly sheet which is headed:

LEGAL INVESTIGATION DEMANDED.

Shareholders of Canadian Northern Quebec Railroad Move the Supreme Court of Canada to Remove Mackenzie and Mann from the Management and Control and Demand an Investigation of Finances.

Many Irregularities Claimed.

(Manitoba Free Press)

Montreal, May 12.—Acting on behalf of Geo. L. Alexander, Messrs. Beattie, Blackstock, Faskin, Cowan and Chadwick, of Toronto, filed an application in the supreme court of Ontario on Saturday, asking for the winding up of the Northern Consolidated Holding Co., Ltd., whose capital stock is eight million dollars. The company was incorporated in 1903. Mackenzie and Mann own \$4,400,000 of the stock of the company, which is the holder of the Canadian Northern Quebec Railway Company stock. Sir William Mackenzie, Sir Donald Mann, D. B. Hanna and R. P. Ormsby will be subpoenaed to give evidence. Mr. Alexander asks for the appointment of a liquidator of the company, alleging that it is insolvent, and demands a complete inquiry into the entire condition of the company and its accounts. He represents over one million dollars of the stock of the Northern Consolidated Holding Company.

I might tell the Senate that the Northern Consolidated Holding Company, is the holding Company for the Canadian Northern Quebec Railway, whose capital stock is eight million, and they control the Quebec Northern Railway Company. This document continues:

Mackenzie and Mann have acquired by one means or another no less than \$4,445,300 out of a total capitalization of some nine millions, and it is claimed by indignant shareholders that by J. P. Morgan and New Haven methods and bearing the stock, influencing legislation, making it a crime to deal in this stock or even offer it for sale without permission (this is actually on the statute book) in one of the provinces, and generally discrediting the railroad for the purpose of gobbling up the rest,

Hon. members may have read this themselves, but to show how this Company has been able to influence the various legislatures, including this Parliament, let me simply read:

As a further illustration of their malicious influence, which may be hardly credited to is nevertheless a fact, they have actually succeeded in obtaining unconstitutional Russian star chamber legislation now put on the statute book of one of the provinces as amendment to

the blue sky line law, no later than February 20th of this year, 1914, of which the following are samples:

This is from the statute:

'or for any person who owns shares, stocks, securities, etc., to sell or attempt to sell in the course of continued and successive acts is liable to a fine of from \$50 to \$500 or to imprisonment with or without hard labour for not exceeding six months.'

And then it continues:

This is a specimen of Mackenzie and Mann's influence over legislators, and was enacted with the special object of barring the above stock from Canadian markets, and not only have proceedings been initiated in the local courts to enforce this nefarious legislation, but government officials have already attempted to influence United States authorities in the same direction (but without results) on the ground that this stock is not transferable at the railroad's transfer office in Toronto, and is therefore valueless.

Hon. Mr. CLORAN—Read it and put it on record.

Hon. Mr. CASGRAIN—It is too long to read all through but the purport of it is that Mr. Ormsby, who is the secretary and a paid official of this company, actually discouraged and told people that those shares had been offered to the company at \$2 and \$3 a share and that they had been refused by the company, whilst at the same time the shares were selling from \$50 to par. Now, I do not wish to detain this House any longer, except just to say that hon. gentlemen will notice that I have not said one disparaging word about Mackenzie and Mann. I consider them by far the cleverest men in Canada, so far as railway matters are concerned, and I do not think that any member of this Government, including the Solicitor General is any match for them, in making a contract of any kind. They have been wonderfully helped by Mr. Zebulon A. Lash, the able solicitor of the Canadian Northern railway, who with his far superior knowledge of this very involved company, has been able to dictate to the present administration exactly what would suit them. The ability of Messrs. Mackenzie and Mann, as men, deserves great commendation. I have so stated in a lecture delivered in Toronto before the Empire Club. A banquet was given to Sir Wm. Mackenzie, and he stated that ten years previous to that banquet there was no such thing as the Canadian

Northern railway, but while he was speaking he was proud to say that 3,650 miles of the road was then in operation. This showed that Sir Wm. Mackenzie and Sir Donald A. Mann had been able during ten years to build, to equip and to put in operation one mile of road, winter and summer, for every calendar day of those ten years. I say that men who can achieve anything of that sort deserve commendation. Since that time they have gone on at a faster rate, and they have been able to construct about two miles per day. Therefore if they made any money out of this enterprise, I am not the one to find fault with them. They have great ability, and I do not think there is anybody superior to them either in the Canadian Pacific railway or in the Grand Trunk railway or the Grand Trunk Pacific railway. It required a lot of work and ability and energy for two men to build and put in operation 7,500 miles of road, to have about 1,500 miles where the track has been laid and not yet in operation; to have built a system of 10,000 miles, and to have done all this almost single-handed—because they had to fight at first the strong opposition of the Canadian Pacific Railway. As long as they were fighting against that monopoly, for it was a monopoly in the Northwest, I for one did all I could, every time I had a chance, to vote for Mackenzie & Mann's enterprise, because they were giving competition of the people of the Northwest. When they came down to certain parts of Ontario and Quebec I was glad to welcome there a railway giving the public more facilities. But if they have during the last 15 or 20 years displayed all this ability, it all pales into insignificance before what they have been able to accomplish just now. When they have got to the end of their tether, as it were, when they could borrow no money, when everything in sight had been pledged, they were able to come down to this Government this year and obtain from this Government, what? Not only a subsidy and money, but actually obtained from this Government their consent to go into partnership with them; so that now they can go out to the world and say, "Why, look at our partner; the partner is the Dominion of Canada." That is the crowning act of their career, and that is the greatest thing they have ever achieved during the last ten or fifteen years.